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Lucien GILLARD*, La Banque d'Amsterdam et le Florin européen*

Lucien GILLARD, La Banque d'Amsterdam et le Florin européen au Temps de la République néerlandaise (1610-1820), Paris, Éditions de l'EHESS, 2004, 420 p.

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1 The Bank of Amsterdam or Wisselbank, celebrated in its day, has had mixed fortunes in the historic and economic literature. Held up on the one hand as a central factor in the creation of the Dutch Republic's economic miracle, the Wisselbank is also generally seen as an archaic institution. The bank neither gave credit nor issued notes, which is thought to have prevented it from evolving into a true central bank such as the Bank of England, itself modelled on the Wisselbank, became during the 19th century. Such an institution might have helped the Amsterdam money market to survive the disastrous crises during the last quarter of the 18th century which crippled it. This state of affairs was prolonged by two main factors. Firstly, the longevity of the central banking paradigma requiring note circulation and lender of last resort operations as distinctive features for such institutions; secondly, the lack of fresh research into the Wisselbank, partly caused by the practical difficulties posed by the remaining bank records. The entire Wisselbank literature is still based on secondary literature[1].

2 During the last couple of years the situation has started to change. The actual importance of bank notes and lender of last resort operations receded into the background, showing that even the Bank of England had exercised those twin and hallowed features during a limited period of its existence. Consequently, the narrow conception of central banking evolution widened to appreciate alternative paths. In addition, economic historians have begun to use sophisticated modelling for analysing the Wisselbank's policy and performance. Recently, the American economists Stephen Quinn and William Roberds used the available data for an important paper applying econometric analysis to validate the bank's success in stabilising the guilder during its first decades of existence (available at http://www.frbatlanta.org/filelegacydocs/wp0516.pdf).

3 In his very important book, Lucien Gillard takes the revision of the Wisselbank's history a great step further by presenting a sophisticated, comprehensive, and detailed analysis of the bank's policy and operations during its entire existence, from 1609 to 1820. His main conclusion is evident from the book's subtitle: during the 16^{th} and 17^{th} centuries, the banco guilder functioned as the common currency in Europe, as both the reserve currency of choice and the central reference value. If this conclusion is not in itself entirely new, the way in which Gillard demonstrates how this system came to be, how the bank made it work, how the banco guilder shaped financial relations across Europe, and how it enabled the Dutch Republic to have a Silver Age follow its Golden Age, does represent a revolution in our understanding of the Wisselbank. The work is based on a very wide reading in the secondary literature plus on what must be a huge set of spreadsheets with published price data concerning money, precious metal, and exchange rates in Amsterdam, London, and Paris. There are some gaps in the bibliography, notably W. C. Mees' pioneering study on the Wisselbank, recently re-edited by W. L. Korthals Altes[2], but the overall list is as impressive as the close attention which Gillard has put to it.

4 The book consists of an introduction followed by six densely argued chapters. Chapter 1 focuses on the socio-political framework of the Dutch Republic, a somewhat loose federation of seven provinces in which the cities had a large or even dominant influence. Gillard gives much attention to the conflicting interests between the Orangist centralizers around the court of the Stadtholder on the one side and the federalist, mercantile elites in the cities on the other, and attributes key policy changes with respect to banking and currency to the ascendancy of one or the other of the two political groups. I found this the weakest chapter of the book, marred both by repeated slips betraying a certain unfamiliarity with the Dutch political system, and by an unduly heavy reliance on the testimony of foreign contemporary observers to the detriment of modern literature on the subject. This leads Gillard to some odd judgements, for instance, on the power wielded over the Republic by the authorities in The Hague, on the causes of the Anglo-Dutch wars, and on the importance of monopoly companies in the economy. In a later chapter (p. 116), he appears to think that in 1814 political reasons dictated that the Nederlandsche Bank was founded in the Hague and not in Amsterdam, whereas of course King William I imposed his bank on the capital for it would have remained dead in the water had he chosen the residence for its seat.

5 A more serious lack of contextual discussion undermines Gillard's verdict on the Wisselbank's overall impact on the Republic's economy and society. In his view, first touched upon in Chapter 1 and elaborated in later ones, the Wisselbank enabled the Republic to sustain a dominant position in international trade and finance during the 18^{th} century, but at a heavy social cost. An overvalued guilder created a divide between the cosmopolitan commercial elite in the Holland towns, which greatly benefited from the opportunities, and the rest of the population, which suffered the consequences in the form of a declining competitiveness of local trade and manufacturing, resulting in widespread unemployment and poverty. While there can be no doubt as to the contribution of the strong guilder to the Republic's loss of competitiveness, Gillard's emphasis on the importance of this factor would have been more convincing had he balanced his opinion with other causes discussed in the literature, such as the mercantilist obstruction to Dutch exports abroad, plus the high taxation and high wage costs at home. Moreover, Gillard never really confronts his verdict on the bank's

negative social impact with his view elsewhere that it also had beneficial social and political effects, in shifting crucial and potentially divisive decisions about currency and monetary policy to an impartial market.

6 Another case where Gillard's judgement would appear to have been led astray by a too close focus on his sources and his subject is in his opinion on the Wisselbank's demise. He attributes this rather singularly to undue political interference, omitting to discuss the wider economic and political circumstances which led to its downfall.

7 In Chapter 2, Gillard discusses the bank's functions and early development. The Republic faced a crucial economic problem: as a small country with a high export surplus, it suffered from a continuous inflationary pressure created by the influx of poor quality foreign currency. This was remedied by having the Wisselbank act as a sluice between the Republic's inland and its international currency flows, which also erected a buffer cushioning the impact of international economic fluctuations. Gillard again draws heavily on contemporary observers for his description of the bank's evolution. This again inspires him to some curious judgements, but these are now largely outweighed by the yield of policy insights which can no longer be reconstructed from the bank's own archive. A case in point is his analysis, here and in subsequent chapters, of the role of the cashiers as nexus between the Wisselbank and the market. Until now, the literature tended to belittle or even ignore their role, but Gillard shows convincingly how they made the system work by, in effect, running the market in banco money and by performing the private credit functions which the bank itself did not want to assume. By 1683 the cashiers' offices had effectively supplanted the bank's own counters in dealing with customers.

8 Moreover, Gillard argues that the Wisselbank's statutory injunction on giving credit did really no more than impose a split into banking and issuing operations, exactly mirroring the internal separation into departments of the Bank of England during the 19th century. For the Wisselbank did give credit to the Dutch East India Company VOC and to the Amsterdam city treasury, largely from its retained earnings and thus on a limited scale. The restriction on the bank's credit function served to shift the risks and profits to the cashiers, thus contributing to boosting a sector which the Bank of England's note monopoly stifled.

9 The book's real weight and greatest importance lie in its four last chapters, dealing respectively with the bank's function within the Republic's currency system, with the internal currency circulation and the market for gold and silver, with the external circulation and the exchange rates, and with the mechanisms which made the Wisselbank system work. Here Gillard presents a huge mass of data summarized in tables and graphs to buttress his arguments about the bank's essential modernity as an international currency regulator and a precursor to the present day European Central Bank. One ardently hopes that Gillard may be persuaded to let the scholarly community benefit from his painstaking work in assembling data on exchange rates between Amsterdam, London, and Paris, and the gold and silver prices in these cities, which he uses in combination with the published Wisselbank data to build his argument about the rise and effectiveness of the Euroflorin, as he terms the banco guilder. These chapters can be heavy going because of the very technical nature of the subject matter; personally I would not claim to have understood, for instance, all the intricate turns of reasoning on bank policy patiently dissected in Chapter 6.

10 Careful study and rereading does pay rich rewards, however, in the form of deep insights about the nature and working of the bank and its banco money. I was notably struck by the way in which Gillard demonstrates how the nature and the value of the celebrated agio or premium on the bank guilder changed over time as a consequence of the Dutch Republic's currency policy. Moreover, he rightly asserts that the agio was never really a single figure, but entirely dependent on the specific coins deposited by a particular customer. His discussion of currency policy, taking the guilder's international position as key reference point, shows this to have been remarkably coherent and effective, whereas Dutch historians, as often as not departing from the premiss of an abstract system, tend to overemphasize the haphazard nature of subsequent reforms. To me Gillard's treatment of the momentous policy changes during the last forty years of the 17^{th} century, culminating in the introduction of the *recepissen*, receipts for coin or bullion deposits operating as options, in 1683, provides one of the book's highlights, together with his subsequent analysis of the bill market and the multilateral payments system centering on Amsterdam. At each turn of argument, Gillard carefully shows the interaction between the various elements: bank policy and instruments, currency policy, exchange rates, and bullion prices, and thus greatly adds to our knowledge on this most intricate of subjects.

11 Summing up, this is a most valuable and enriching book on a subject of great importance for the understanding of banking and currency during the early modern period. The occasional errors of judgement do not really detract from the huge overall value of the book, and I fervently hope that Gillard will get the opportunity to iron them out when preparing for the English translation which the book so fully deserves.

NOTES

1. The data and documents published by the Dutch economic historians during the 1920s and 1930s: J. G. VAN DILLEN & Nicolas Wilhelmus POSTHUMUS (ed.), *Bronnen tot de geschiedenis der wisselbanken*, The Hague, Nijhoff, 1925; Nicolas Wilhelmus POSTHUMUS, *Nederlandsche prijsgeschiedenis*, Leiden, E. J. Brill, 1943.

2. Willem Cornelius MEES, *Proeve eener geschiedenis van het bankwezen in Nederland gedurende den tijd der Republiek*, Rotterdam, 1838 ; W. L. KORTHALS ALTES (ed.), Amsterdam, NEHA, 1999.

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